

Castle Votes to Cut Interest Rates on Student Loans, But Says a More Comprehensive Approach is Needed to Lower College Costs -- January 17, 2007

Washington D.C. -- Delaware Congressman Mike Castle, a senior member of the House Education and Labor Committee, today voted for legislation that will lower student loan interest rates to 3.4 percent over the next five years. However, before the vote, Castle spoke on the House floor to urge consideration of a more comprehensive plan that would build on the rate cut legislation in order to narrow the college-going gap between low and middle-income students and their more affluent peers.

"This bill takes a step towards assisting college students pay for the soaring costs of higher education. However, while today's bill does seek to help graduates, it barely skims the surface of the true problem of how we can help increase access and affordability for all students.

"Unfortunately, one concern that continues to arise, and has done so since I came to Congress, is the continuously rising cost of a college education. Tuition increases are outpacing the rate of inflation, increases in family income, and even increases in state and federal financial aid, which have grown tremendously in recent years. These cost increases are pricing students and families out of the college market. In a time when we have reports suggesting that for the first time today's high school students recognize the importance of obtaining a college education, these students should not shy away because of skyrocketing costs.

"The statistics show that the costs of higher education are drastically increasing and under a Republican Congress, direct student aid has increased from \$9.6 billion to \$48 billion. During the same period, the number of students receiving such aid soared by nearly one-third, from 7.6 million to 10.1 million. Yet, we are still in a predicament of students needing our help. We must begin to look seriously and holistically at this issue. There is neither a simple solution, nor one entity responsible.

"It is my belief that one of the best things we can do is to raise awareness, and to force transparency in the process by providing parents and students the information that they deserve as consumers, including why tuition is increasing at their universities. As educated consumers, it is my hope that they will in turn have the information and power to ask questions, demand answers, and ultimately drive down cost. Understanding that there are many moving parts to a solution, transparency is a good step in the right direction. Moreover, it is imperative that colleges and universities do more to address the problem. They have a significant responsibility to find ways to prevent tuition increases. Just because the federal government has increased aid, does not give institutions license to increase the cost of attending their school," Castle said today on the floor of the House of Representatives.

The legislation that passed today will cut interest rates on subsidized loans for undergraduates from 6.8 percent to 3.4 percent over five years. The Democrats have said the plan would be financed with savings generated by cutting the subsidies the government pays private lenders to make federal student loans.

Castle yesterday joined Ranking Member Howard "Buck" McKeon in introducing "The College Affordability and Transparency Act," as a more comprehensive approach to lowering college costs. Please find the attached fact sheet outlining the bill.

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Similar to reforms adopted by the U.S. House last spring, the College Affordability & Transparency Act would redesign the existing U.S. Department of Education College Opportunity Online Locator (COOL) website (<http://nces.ed.gov/ipeds/cool>), making it easier to use for parents and students while not adding burdensome reporting requirements for colleges and universities.

1. Establishing a User-Friendly College Affordability Comparison

The College Affordability & Transparency Act would provide students and parents - in easy-to-use College Consumer Profiles published on the COOL website - the:

- "Sticker price" for a school over a three year time period;
- "Net tuition price" (average costs minus average grants) over that same time period;
- Percentage change in both over that same time period; and
- Percentage change in the Consumer Price Index (CPI) over that same time period.

Any school that raises its tuition at twice the rate of the CPI will be required to provide students and parents a description of the factors impacting the increase.

2. Creating Quality Efficiency Task Forces

Using information published in the College Consumer Profile's college affordability comparison, the College Affordability & Transparency Act would ask the top five percent of schools that have increased their tuition the most to create a Quality Efficiency Task Force to examine the institution's operating costs as compared to other similarly-situated institutions. On behalf of parents and students, the Task Force would recommend ways for the school to become more efficient and keep costs in check.

3. Freeing Selected Institutions from Costly Regulatory Requirements

The College Affordability & Transparency Act would free up to 100 schools - in a specially-designed and tracked demonstration project managed by the Secretary of Education - from costly statutory or regulatory requirements that often cause institutions themselves to raise their own costs to compensate. As part of this project, schools could test more creative methods to help them operate more efficiently - providing the federal government, other schools, parents, and students with better insight into ways to keep college costs in check.

4. Identifying Existing Best Practices on Affordability

The College Affordability & Transparency Act would require a Government Accountability Office study on the policies and procedures currently used by schools to enhance affordability. Best practices identified in this study could provide more schools around the country a roadmap to reducing costs and making college more affordable for students and their

parents.